

14 JULY 2021

THAILAND / HEALTHCARE

## BANGKOK CHAIN HOSPITAL

## BCH TB

BUY

UNCHANGED

TARGET PRICE	THB28.00
CLOSE	THB23.30
UP/DOWNSIDE	+20.2%
PRIOR TP	THB24.00
CHANGE IN TP	+16.7%
TP vs CONSENSUS	+14.9%

## ได้รับประโยชน์ไปจนถึงสิ้นปี

## โอกาสซื้อให้ท่ามกลางความกังวลเกี่ยวกับการตรวจหาแอนติเจน (Rapid Antigen Tests)

ราคาหุ้น BCH ปรับตัวลดลงจากจุดสูงสุด 7% ในช่วง 2 วันที่ผ่านมาจากความกังวลเกี่ยวกับนโยบายใหม่ของรัฐบาลที่อนุญาตให้ใช้การตรวจหาแอนติเจน เราคิดว่าการตรวจดังกล่าวจะไม่สามารถทดแทนการตรวจคัดกรองด้วยวิธี RT-PCR ได้ในทันที เนื่องจากผลบวกจากการตรวจหาแอนติเจนยังต้องได้รับการยืนยันด้วยวิธี RT-PCR อีกครั้งหนึ่ง ในทางตรงกันข้าม การตรวจหาแอนติเจนอาจช่วยบรรเทาความต้องการตรวจด้วยวิธี RT-PCR ที่อยู่ในระดับสูงและทำให้พบผู้ป่วย Covid มากยิ่งขึ้น เราเห็นว่าราคาหุ้น BCH ที่ปรับตัวลดลงเป็นโอกาสซื้อเพื่อรับโอกาสของกำไรจากการดำเนินงานของบริษัทฯ ใน 2Q21 จะสูงเป็นประวัติการณ์ โดยเราคาดว่าจะอยู่ที่ 752 ลบ. (+170% y-y, +132 q-q)

## กำไร 3Q21 จะยังทำจุดสูงสุดต่อเนื่อง

แนวโน้มกำไรของ BCH ครบไตรมาสต่อเนื่องใน 3Q21 โดยน่าจะทำจุดสูงสุดเป็นประวัติการณ์อีกครั้งเมื่อพิจารณาจากตัวเลขผู้ติดเชื้อ Covid ที่เพิ่มเป็นประมาณ 8,000 รายต่อวัน (เทียบกับค่าเฉลี่ยที่ 2,000-3,000 รายต่อวันใน 2Q21) บริการที่เกี่ยวข้องกับ Covid ทั้งหมดของ BCH ขยายตัว โดยบริการตรวจคัดกรองได้แตะระดับ 8,000 รายต่อวัน (เทียบกับค่าเฉลี่ยที่ 6,500 รายใน 2Q21) บริการโรงแรมกึ่งโรงพยาบาล (Hospital) และความสามารถในการรับผู้ป่วยในสำหรับผู้ป่วย Covid ได้เพิ่มขึ้นเป็น 8,000 เตียง (เทียบกับ 4,000 เตียงใน 2Q21) และ 1,300 เตียง (เทียบกับ 900 เตียงใน 2Q21) ตามลำดับ

## วัคซีน Moderna จะจะเป็นอัปไซด์ในช่วง 4Q21-2022

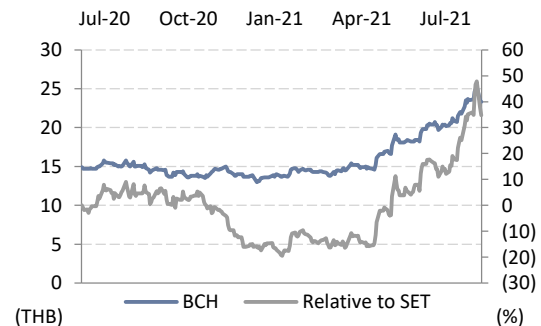
BCH น่าจะได้ประโยชน์สูงสุดจาก Moderna ซึ่งเป็นวัคซีนทางเลือกที่รัฐบาลอนุญาตให้โรงพยาบาลเอกชนนำเข้าผ่านองค์การเภสัชกรรมเพื่อเสนอให้กับลูกค้าและองค์กรที่ต้องการซื้อวัคซีนเอง วัคซีนรอบแรกจำนวน 3.9 ล้านโดสมีกำหนดส่งมอบภายใน 4Q21 ราคาที่กำหนดไว้สำหรับ Moderna อยู่ที่ 1,650 บาทต่อโดส ซึ่งเราคาดว่าจะทำกำไรได้ 400 บาทต่อโดส ทำให้ทุก ๆ 1 แสนโดสจะสร้างกำไรได้ 40 ลบ. เราตั้งสมมติฐานว่า BCH จะฉีดวัคซีนได้ 2 แสนโดสใน 4Q21 และ 4 แสนโดสใน 1Q22 ถ้าบริษัทฯ หาวัคซีนได้มากกว่านี้ รายได้จากวัคซีนจะเป็นอัปไซด์สำหรับประมาณการของเรา

## ปรับเพิ่มประมาณการกำไรจากการดำเนินงาน มองหุ้นสามารถเล่นเทรตติ้งในกรอบได้

เราปรับประมาณการกำไรจากการดำเนินงานขึ้น 46% ในปี 2021 เพื่อสะท้อนรายได้ที่เกี่ยวข้องกับ Covid ที่อยู่ในระดับสูงและอีก 10% ในปี 2022 เพื่อสะท้อนรายได้จากการฉีดวัคซีน Moderna ทำให้ได้ราคาเป้าหมายใหม่ที่ 28 บาท แม้ว่าราคาหุ้นจะปรับตัวขึ้นไปแล้ว 40% ในช่วง 3 เดือนที่ผ่านมา BCH ยังมีการซื้อขายในระดับการประเมินมูลค่าที่น่าสนใจเพียง 25x ของค่า 2021E และ 33x ของค่า 2022E P/E ซึ่งต่ำกว่าค่าเฉลี่ย 5 ปีย้อนหลังที่ 39x เนื่องจากตลาดกังวลว่ารายได้ที่เกี่ยวข้องกับ Covid จะไม่อยู่ยาว เราแนะนำให้นักลงทุนซื้อขายหุ้นในช่วง 22.5 บาท/หุ้นถึง 27 บาท/หุ้น คิดเป็น -1SD ที่ 32x ของค่า P/E และค่าเฉลี่ยย้อนหลัง 5 ปีที่ 39x ของค่า P/E

## KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	8,928	15,631	12,104	12,727
Net profit	1,229	2,351	1,743	1,978
EPS (THB)	0.49	0.94	0.70	0.79
vs Consensus (%)	-	35.1	12.0	10.0
EBITDA	2,523	4,346	3,426	3,755
Core net profit	1,229	2,351	1,743	1,978
Core EPS (THB)	0.49	0.94	0.70	0.79
Chg. In EPS est. (%)	-	46.4	10.0	2.8
EPS growth (%)	7.0	91.2	(25.8)	13.5
Core P/E (x)	47.3	24.7	33.3	29.4
Dividend yield (%)	1.0	1.0	2.1	1.6
EV/EBITDA (x)	25.9	14.4	18.0	16.1
Price/book (x)	8.4	6.7	6.3	5.7
Net debt/Equity (%)	83.5	37.5	27.1	10.7
ROE (%)	18.7	30.2	19.6	20.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	15.3	40.4	61.8
Relative to country (%)	20.2	37.7	38.3
Mkt cap (USD m)	1,782		
3m avg. daily turnover (USD m)	20.6		
Free float (%)	44		
Major shareholder	Chalerm Harnphanich (33%)		
12m high/low (THB)	25.50/12.80		
Issued shares (m)	2,493.75		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 14 กรกฎาคม 2021

## Investment thesis

BCH is the leading service provider under the Social Security Office (SSO) scheme, with a 5% market share. It will likely be the hospital that benefits the most from Covid-19 screening services, given that all of its hospitals have their own lab tests with a total capacity of 12,000 cases/day.

After Covid-19 subsidies, the World Medical Hospital (WMC) should continue to capture the rising demand of medical tourists. Currently, 70% of WMC's revenue is derived from international patients, especially Middle Eastern patients. The recovery of that patient segment should start in 2022.

BCH scheduled three new hospitals to open in 2020-21, with two already having opened so far. Although they may drag down BCH's overall performance for two years of operations, we believe they will provide growth in the long term.

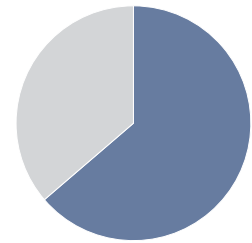
## Company profile

The company operates its business as a group, providing healthcare services for both cash patients and patients under the social security scheme.

[www.bangkokchainhospital.com](http://www.bangkokchainhospital.com)

## Principal activities (revenue, 2020)

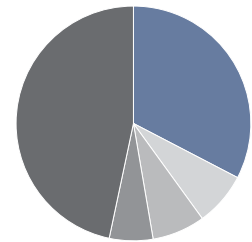
- Cash patient revenue - 63.7 %
- SSO patient revenue - 36.3 %



Source: Bangkok Chain Hospital

## Major shareholders

- Chalerm Harnphanich - 32.6 %
- Thai NVDR - 7.4 %
- Somporn Harnphanich - 7.3 %
- Thailand Social Security Office - 6.0 %
- Others - 46.7 %



Source: Bangkok Chain Hospital

## Catalysts

Key growth drivers include 1) more SSO registered members; 2) rising demand for medical tourists; and 3) an improving EBITDA margin led by new hospitals.

## Risks to our call

Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following a limited SSO budget.

## Event calendar

Date	Event
Aug 2021	2Q21 results announcement

## Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
SSO volume growth	1	5	3
SSO revenue / patient growth	1	3	3
OPD volume growth	72	(15)	1
OPD revenue / patient growth	1	3	2
IPD volume growth	160	(43)	2
IPD revenue / patient growth	6	(6)	5

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in patient volume, we project 2021 earnings would rise by 2%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project 2021 earnings would rise by 6%, and vice versa, all else being equal.

Source: FSSIA estimates



## Upside from Moderna vaccinations

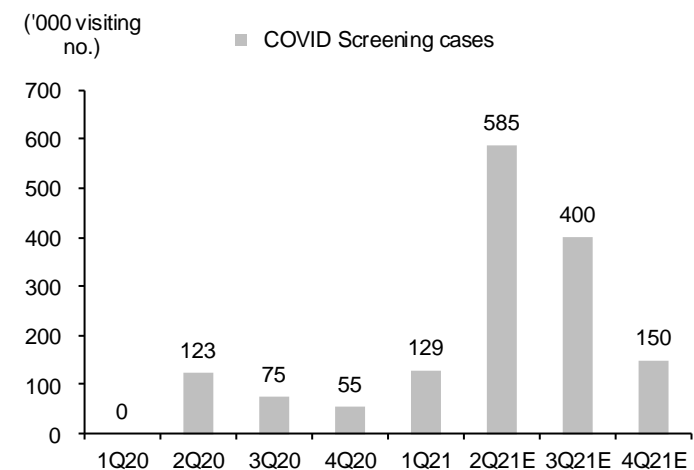
The alternative vaccine scheme allows private hospitals to import and offer Moderna vaccines to people in Thailand who are willing to pay. The GPO will order up to 10m doses on behalf of private hospitals. The first batch of 3.9m doses is scheduled to be delivered by 4Q21, with a further 1.1m doses in 1Q22 and the remaining 5m doses in 2022.

Private hospitals have sent their order amounts based on their surveys to the GPO, and demand is likely to increase to more than 9m doses amid the concern over the delta variant.

At this stage, the GPO has already allocated the vaccine amounts to each private hospital. BCH has not disclosed the number of vaccines that the GPO has allocated to it. However, BCH opened its website for a second round of Moderna bookings last week. This implies that it will receive a vaccine amount of not less than what it ordered from the GPO.

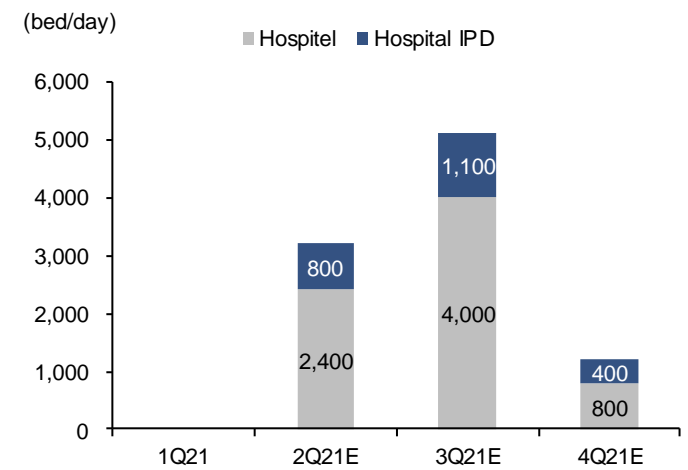
The fixed price for Moderna is THB1,650 per dose. The cost from the GPO is cTHB1,100 per dose. We estimate a profit of THB400 per dose net with tax and administration expenses. Thus, every 100k doses would imply a profit of THB40m. We have factored in the possibility of a delivery delay and conservatively assume BCH to vaccinate 200k doses in 4Q21 and 400k doses in 1Q22. If it acquires more than this, it should lead to an earnings upside.

**Exhibit 1: Covid screening cases**



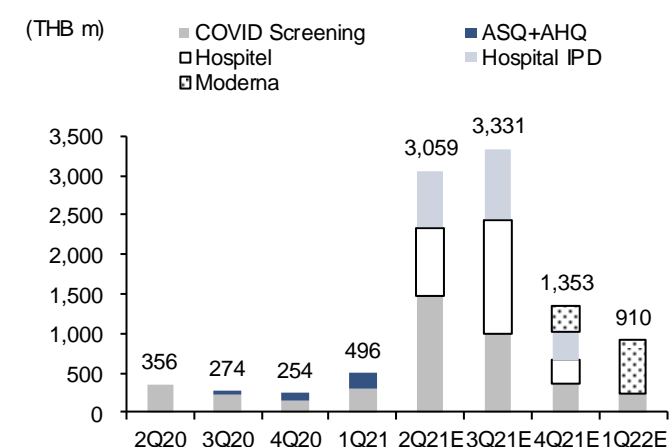
Sources: BCH; FSSIA estimates

**Exhibit 2: Covid patients in hospitals and hospital IPD**



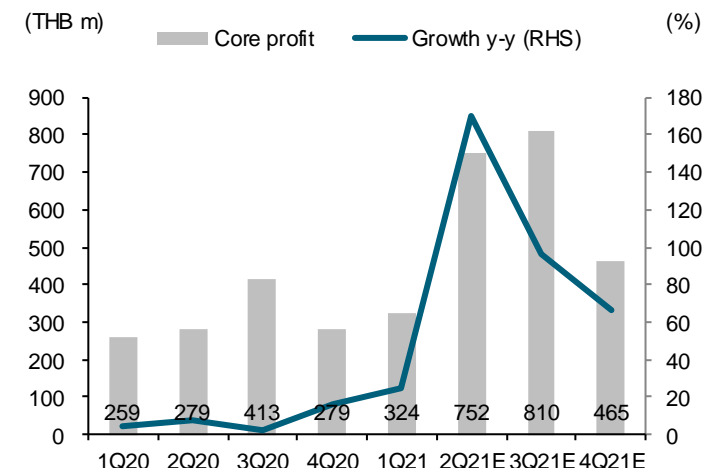
Sources: BCH; FSSIA estimates

**Exhibit 3: Covid-related revenue**



Sources: BCH; FSSIA estimates

**Exhibit 4: Core profit quarterly estimates**



Sources: BCH; FSSIA estimates

## 2Q21E preview

We estimate that Covid-related services will be the key driver for BCH's 2Q21 earnings, and could contribute up to 60% of its revenue in 2Q21. Our key assumptions are 1) Covid screening services of 585k cases in 2Q21 (vs 129k cases in 1Q21), with an average fee of THB2,500 per case; 2) revenue from hospitel operations of 2,400 active beds per day with a billing average of THB4,000 per day; and 3) revenue from hospital operations of 800 beds for yellow and red level Covid patients with a billing average of THB10,000 per day. Meanwhile, we estimate the revenue from non-Covid patients and SSO patients to be relatively flat q-q. As a result, we forecast BCH's core profit to surge by 170% y-y and 132% q-q to hit a record high of THB752m in 2Q21.

### Exhibit 5: 2Q21E results preview

	2Q20	3Q20	4Q20	1Q21	2Q21E	----- Change -----		1H20	1H21E	2021E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(THB m)
<b>Sales</b>	<b>2,083</b>	<b>2,359</b>	<b>2,308</b>	<b>2,316</b>	<b>4,766</b>	106	129	<b>4,261</b>	<b>7,083</b>	<b>15,631</b>
COGS (incl. depreciation)	(1,392)	(1,496)	(1,571)	(1,619)	(3,265)	102	135	(2,907)	(4,884)	(10,545)
<b>Gross profit<sup>1</sup></b>	<b>691</b>	<b>863</b>	<b>737</b>	<b>698</b>	<b>1,501</b>	115	117	<b>1,354</b>	<b>2,199</b>	<b>5,086</b>
SG&A	(280)	(276)	(363)	(291)	(420)	44	50	(573)	(711)	(1,694)
<b>Operating profit</b>	<b>411</b>	<b>587</b>	<b>374</b>	<b>407</b>	<b>1,081</b>	166	163	<b>780</b>	<b>1,488</b>	<b>3,393</b>
Net other income	21	19	35	68	23	(66)	11	39	91	97
Interest expense	(32)	(35)	(35)	(28)	(40)	45	23	(62)	(68)	(153)
<b>Pretax profit</b>	<b>399</b>	<b>571</b>	<b>373</b>	<b>447</b>	<b>1,064</b>	138	167	<b>757</b>	<b>1,511</b>	<b>3,336</b>
Income tax	(75)	(107)	(68)	(84)	(213)	154	183	(139)	(297)	(667)
Associates	1	1	1	1	1	42	63	1	2	2
Minority interest	(46)	(52)	(28)	(40)	(100)	151	117	(83)	(140)	(320)
<b>Core profit</b>	<b>279</b>	<b>413</b>	<b>279</b>	<b>324</b>	<b>752</b>	132	170	<b>537</b>	<b>1,076</b>	<b>2,351</b>
Extraordinaries, GW & FX	0	0	0	0	0			0	0	
<b>Reported net profit</b>	<b>279</b>	<b>413</b>	<b>279</b>	<b>324</b>	<b>752</b>	132	170	<b>537</b>	<b>1,076</b>	<b>2,351</b>
Outstanding shares (m)	2,494	2,494	2,494	2,494	2,494	0	0	2,494	2,494	2,494
<b>Core EPS (THB)</b>	<b>0.11</b>	<b>0.17</b>	<b>0.11</b>	<b>0.13</b>	<b>0.30</b>	132	170	<b>0.22</b>	<b>0.43</b>	<b>0.94</b>
<b>EPS (THB)</b>	<b>0.11</b>	<b>0.17</b>	<b>0.11</b>	<b>0.13</b>	<b>0.30</b>	132	170	<b>0.22</b>	<b>0.43</b>	<b>0.94</b>
COGS (excl. depreciation)	1,201	1,291	1,362	1,402	3,040	117	153	2,540	4,442	9,591
Depreciation	191	205	210	217	225	4	18	367	442	954
<b>EBITDA<sup>2</sup></b>	<b>622</b>	<b>811</b>	<b>618</b>	<b>691</b>	<b>1,329</b>	92	114	<b>1,187</b>	<b>2,020</b>	<b>4,443</b>
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Gross margin	33	37	32	30	32	1	(2)	32	31	33
SG&A/Revenue	13	12	16	13	9	(4)	(5)	13	10	11
EBITDA margin	30	34	27	30	28	(2)	(2)	28	29	28
Net profit margin	13	18	12	14	16	2	2	13	15	15
<b>Operating statistics</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>					
Cash-OPD revenue growth	30	20	23	45	n/a					
Cash-OPD volume growth	21	8	16	45	n/a					
Cash-OPD revenue per head growth	8	11	6	1	n/a					
Cash-IPD revenue growth	(29)	(38)	(17)	(22)	n/a					
Cash-IPD volume growth	(39)	(38)	(22)	(20)	n/a					
Cash-IPD revenue per head growth	17	1	6	(2)	n/a					
SSO revenue growth	(7)	7	12	1	(2)					
SSO registered members ('000)	887	884	881	888	n/a					
SSO registered member growth	3	2	0	0	n/a					
SSO revenue per head growth	(10)	5	11	1	n/a					

1) Gross profit calculated by revenue – COGS including depreciation; 2) EBITDA calculated by operating profit + operating income – depreciation  
Sources: BCH; FSSIA estimates

### Exhibit 6: DCF-derived TP

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate		3.0	Pre-tax cost of debt		4.0
Market risk premium		8.0	Marginal tax rate		20.0
Stock beta		1.0			
Cost of equity, Ke		10.6	Net cost of debt, Kd		3.2
Weight applied		70.0	Weight applied		30.0
WACC		8.4			
DCF valuation estimate		(THB b)	(THB/share)	Comments	
NPV		25.5	10.2	WACC 8.4%, Risk-free rate 3%, Risk premium 8%	
Terminal value		47.9	19.2	Terminal growth 3%	
Cash & liquid assets		3.4	1.4	At end-2022E	
Investments		0.0	0.0	At end-2022E	
Debt		(6.1)	(2.5)	At end-2022E	
Minorities		(1.0)	(0.4)	At end-2022E	
<b>Residual ordinary equity</b>		<b>69.7</b>	<b>28.0</b>		

Source: FSSIA estimates

### Exhibit 7: Forecast revisions

	Current			Previous			% Change		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
SSO registered members ('000)	893	934	963	915	957	987	(2.4)	(2.4)	(2.4)
SSO revenue per head (THB)	3,701	3,812	3,926	3,737	3,849	3,965	(1.0)	(1.0)	(1.0)
Cash-OPD visit number per day (no.)	5,249	4,462	4,506	3,723	3,537	3,749	41.0	26.1	20.2
Cash-OPD revenue per head (THB)	2,979	3,068	3,130	2,979	3,068	3,191	0.0	0.0	(1.9)
Cash-IPD admission number per day (no.)	232	132	135	135	130	138	71.1	1.6	(2.3)
Cash-IPD revenue per head (THB)	78,257	73,562	77,240	78,257	73,562	77,240	0.0	0.0	0.0
Revenue (THB m)	15,631	12,104	12,727	11,338	11,138	12,166	37.9	8.7	4.6
EBITDA margin (%)	27.8	28.3	29.5	28.8	29.0	30.3	(1.0)	(0.7)	(0.8)
Core profit (THB m)	2,351	1,743	1,978	1,605	1,584	1,925	46.4	10.0	2.8

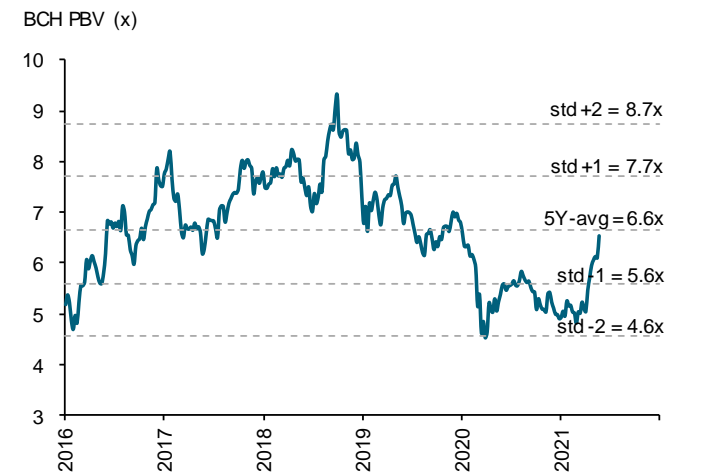
Source: FSSIA estimates

### Exhibit 8: Historical P/E band



Sources: Bloomberg; FSSIA estimates

### Exhibit 9: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

## Exhibit 10: Peer comparisons as of 13 Jul 2021

Year to Dec	BBG	Rec	---- Share price ----		Upside	Market	----- PE -----		---- ROE ----		-- EV/EBITDA --	
Company			Current	Target	(down)	Cap	21E	22E	21E	22E	21E	22E
			(Lcl)	(Lcl)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)
<b>Thailand</b>												
Bangkok Dusit Med Services	BDMS TB	BUY	23.3	29	24.5	11,355	53.6	36.7	8.1	11.6	23.8	18.3
Bumrungrad Hospital Pcl	BH TB	BUY	124.5	160	28.5	3,034	69.7	32.6	7.9	16.4	32.4	18.4
Bangkok Chain Hospital	BCH TB	BUY	23.3	28	20.2	1,782	24.7	33.3	30.2	19.6	14.4	18.0
Chularat Hospital Pcl	CHG TB	BUY	4.02	4	(0.5)	1,356	40.2	38.0	25.6	24.1	25.2	23.7
Praram 9 Hospital Pcl	PR9 TB	BUY	10.9	13	19.3	263	30.5	24.5	6.7	7.9	12.6	10.8
Thonburi Healthcare Group	THG TB	HOLD	29.5	24.5	(16.9)	763	87.1	60.2	3.6	5.2	25.5	23.1
Vibhavadi Medical Center	VIBHA TB	BUY	2.42	2.8	15.7	1,007	50.8	40.8	8.6	8.8	30.4	26.3
Rajthanee Hospital*	RJH TB	n/a	31.25	n/a	n/a	287	22.4	22.1	27.1	25.5	14.4	14.1
Ekachai Medical Care*	EKH TB	n/a	7.55	n/a	n/a	139	30.4	28.3	16.1	16.8	16.7	15.3
<b>Thailand average</b>						<b>19,986</b>	<b>45.5</b>	<b>35.2</b>	<b>14.9</b>	<b>15.1</b>	<b>21.7</b>	<b>18.7</b>
<b>Regional</b>												
Ramsay Health Care*	RHC AU	n/a	63.50	n/a	n/a	10,877	30.8	23.7	11.4	13.0	11.0	9.9
IHH Healthcare Bhd*	IHH SP	n/a	1.81	n/a	n/a	11,755	44.9	36.7	4.5	5.3	17.3	15.5
Ryman Healthcare*	RYM NZ	n/a	13.18	n/a	n/a	4,602	28.3	21.8	12.2	11.9	32.3	24.9
Apollo Hospitals Enterprise*	APHS IN	n/a	3,747.40	n/a	n/a	7,242	628.1	75.5	2.4	14.5	48.2	27.6
Kpj Healthcare Berhad*	KPJ MK	n/a	1.02	n/a	n/a	1,043	39.2	25.5	6.1	8.2	13.3	11.3
Raffles Medical Group*	RFMD SP	n/a	1.22	n/a	n/a	1,685	35.9	32.1	6.8	7.5	19.2	17.6
Mitra Keluarga Karyasehat*	MIKA IJ	n/a	2,800.00	n/a	n/a	2,759	37.3	38.2	20.1	17.7	23.9	24.7
Aier Eye Hospital*	300015 CH	n/a	66.30	n/a	n/a	55,416	145.1	110.9	20.6	22.4	87.4	68.7
<b>Regional average</b>						<b>95,379</b>	<b>123.7</b>	<b>45.5</b>	<b>10.5</b>	<b>12.6</b>	<b>31.6</b>	<b>25.0</b>
<b>Overall average</b>						<b>115,365</b>	<b>82.3</b>	<b>40.1</b>	<b>12.8</b>	<b>13.9</b>	<b>26.4</b>	<b>21.7</b>

Sources: \*Bloomberg; FSSIA estimates

## Financial Statements

### Bangkok Chain Hospital

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	8,880	8,928	15,631	12,104	12,727
Cost of goods sold	(5,373)	(5,193)	(9,591)	(7,245)	(7,364)
<b>Gross profit</b>	<b>3,507</b>	<b>3,735</b>	<b>6,040</b>	<b>4,858</b>	<b>5,363</b>
Other operating income	-	-	-	-	-
Operating costs	(1,228)	(1,213)	(1,694)	(1,432)	(1,608)
<b>Operating EBITDA</b>	<b>2,279</b>	<b>2,523</b>	<b>4,346</b>	<b>3,426</b>	<b>3,755</b>
Depreciation	(665)	(782)	(954)	(1,005)	(1,046)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>1,615</b>	<b>1,741</b>	<b>3,393</b>	<b>2,421</b>	<b>2,709</b>
Net financing costs	(126)	(125)	(146)	(143)	(122)
Associates	2	3	2	2	2
Recurring non-operating income	113	89	91	100	105
Non-recurring items	(14)	0	0	0	0
<b>Profit before tax</b>	<b>1,588</b>	<b>1,705</b>	<b>3,338</b>	<b>2,378</b>	<b>2,692</b>
Tax	(290)	(313)	(667)	(475)	(538)
<b>Profit after tax</b>	<b>1,298</b>	<b>1,392</b>	<b>2,671</b>	<b>1,903</b>	<b>2,154</b>
Minority interests	(163)	(163)	(320)	(160)	(176)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>1,135</b>	<b>1,229</b>	<b>2,351</b>	<b>1,743</b>	<b>1,978</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>1,149</b>	<b>1,229</b>	<b>2,351</b>	<b>1,743</b>	<b>1,978</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.46	0.49	0.94	0.70	0.79
Reported EPS	0.46	0.49	0.94	0.70	0.79
DPS	0.22	0.23	0.23	0.50	0.37
Diluted shares (used to calculate per share data)	2,494	2,494	2,494	2,494	2,494
<b>Growth</b>					
Revenue (%)	10.0	0.5	75.1	(22.6)	5.1
Operating EBITDA (%)	7.4	10.7	72.3	(21.2)	9.6
Operating EBIT (%)	4.4	7.8	94.9	(28.6)	11.9
Recurring EPS (%)	5.5	7.0	91.2	(25.8)	13.5
Reported EPS (%)	4.2	8.3	91.2	(25.8)	13.5
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	32.0	33.1	32.5	31.8	33.9
Gross margin of key business (%)	32.0	33.1	32.5	31.8	33.9
Operating EBITDA margin (%)	25.7	28.3	27.8	28.3	29.5
Operating EBIT margin (%)	18.2	19.5	21.7	20.0	21.3
Net margin (%)	12.9	13.8	15.0	14.4	15.5
Effective tax rate (%)	18.1	18.4	20.0	20.0	20.0
Dividend payout on recurring profit (%)	47.7	46.7	24.4	71.5	46.7
Interest cover (X)	13.7	14.6	23.9	17.6	23.1
Inventory days	15.9	16.9	13.5	20.4	17.4
Debtor days	68.4	67.5	28.0	27.4	26.0
Creditor days	48.0	52.7	42.5	64.0	54.7
Operating ROIC (%)	12.5	11.4	20.6	15.3	17.6
ROIC (%)	12.7	11.5	20.2	15.3	17.5
ROE (%)	19.2	18.7	30.2	19.6	20.4
ROA (%)	10.6	9.8	15.6	10.8	12.1
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Cash patient revenue	5,790	5,688	12,326	8,543	8,946
SSO patient revenue	3,090	3,240	3,305	3,561	3,781
NHSO patient revenue	0	0	0	0	0

Sources: Bangkok Chain Hospital; FSSIA estimates



## Financial Statements

### Bangkok Chain Hospital

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	1,149	1,229	2,351	1,743	1,978
Depreciation	665	782	954	1,005	1,046
Associates & minorities	-	-	-	-	-
Other non-cash items	187	94	288	160	176
Change in working capital	(211)	(593)	835	(138)	(6)
<b>Cash flow from operations</b>	<b>1,789</b>	<b>1,512</b>	<b>4,428</b>	<b>2,770</b>	<b>3,194</b>
Capex - maintenance	(1,721)	(2,546)	(897)	(605)	(636)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	2	5	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(1,719)</b>	<b>(2,541)</b>	<b>(897)</b>	<b>(605)</b>	<b>(636)</b>
Dividends paid	(549)	(574)	(574)	(1,246)	(924)
Equity finance	0	0	0	0	0
Debt finance	778	1,837	(400)	(800)	(800)
Other financing cash flows	(166)	(168)	(170)	(85)	(93)
<b>Cash flow from financing</b>	<b>63</b>	<b>1,096</b>	<b>(1,143)</b>	<b>(2,131)</b>	<b>(1,817)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>133</b>	<b>67</b>	<b>2,387</b>	<b>34</b>	<b>741</b>
Free cash flow to firm (FCFF)	200.99	(896.48)	3,683.56	2,333.94	2,706.39
Free cash flow to equity (FCFE)	682.04	640.69	2,960.68	1,279.75	1,664.51

Per share (THB)	2019	2020	2021E	2022E	2023E
FCFF per share	0.08	(0.36)	1.48	0.94	1.09
FCFE per share	0.27	0.26	1.19	0.51	0.67
Recurring cash flow per share	0.80	0.84	1.44	1.17	1.28

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	16,288	18,773	19,702	20,307	20,943
Less: Accumulated depreciation	(5,705)	(6,369)	(7,322)	(8,327)	(9,373)
<b>Tangible fixed assets (net)</b>	<b>10,584</b>	<b>12,404</b>	<b>12,379</b>	<b>11,980</b>	<b>11,570</b>
<b>Intangible fixed assets (net)</b>	<b>451</b>	<b>522</b>	<b>522</b>	<b>522</b>	<b>522</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	37	33	33	33	33
Cash & equivalents	879	946	3,333	3,367	4,107
A/C receivable	1,817	1,487	908	908	908
Inventories	231	250	461	348	354
Other current assets	40	856	1,499	1,161	1,221
<b>Current assets</b>	<b>2,967</b>	<b>3,538</b>	<b>6,201</b>	<b>5,784</b>	<b>6,590</b>
Other assets	77	30	30	30	30
<b>Total assets</b>	<b>14,116</b>	<b>16,527</b>	<b>19,166</b>	<b>18,349</b>	<b>18,745</b>
Common equity	6,248	6,885	8,662	9,159	10,213
Minorities etc.	730	742	892	967	1,050
<b>Total shareholders' equity</b>	<b>6,978</b>	<b>7,626</b>	<b>9,554</b>	<b>10,126</b>	<b>11,263</b>
Long term debt	4,759	5,150	5,150	4,350	3,550
Other long-term liabilities	192	207	207	207	207
<b>Long-term liabilities</b>	<b>4,952</b>	<b>5,357</b>	<b>5,357</b>	<b>4,557</b>	<b>3,757</b>
A/C payable	715	784	1,448	1,094	1,112
Short term debt	718	2,165	1,765	1,765	1,765
Other current liabilities	752	595	1,042	807	848
<b>Current liabilities</b>	<b>2,186</b>	<b>3,544</b>	<b>4,255</b>	<b>3,666</b>	<b>3,725</b>
<b>Total liabilities and shareholders' equity</b>	<b>14,116</b>	<b>16,527</b>	<b>19,166</b>	<b>18,349</b>	<b>18,745</b>
Net working capital	621	1,214	379	517	523
Invested capital	11,769	14,203	13,343	13,082	12,678

\* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)	2019	2020	2021E	2022E	2023E
Book value per share	2.51	2.76	3.47	3.67	4.10
Tangible book value per share	2.32	2.55	3.26	3.46	3.89

Financial strength	2019	2020	2021E	2022E	2023E
Net debt/equity (%)	65.9	83.5	37.5	27.1	10.7
Net debt/total assets (%)	32.6	38.5	18.7	15.0	6.4
Current ratio (x)	1.4	1.0	1.5	1.6	1.8
CF interest cover (x)	6.4	6.1	21.3	10.0	14.7

Valuation	2019	2020	2021E	2022E	2023E
<b>Recurring P/E (x) *</b>	<b>50.6</b>	<b>47.3</b>	<b>24.7</b>	<b>33.3</b>	<b>29.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>60.8</b>	<b>56.8</b>	<b>29.7</b>	<b>40.1</b>	<b>35.3</b>
Reported P/E (x)	51.2	47.3	24.7	33.3	29.4
Dividend yield (%)	0.9	1.0	1.0	2.1	1.6
Price/book (x)	9.3	8.4	6.7	6.3	5.7
Price/tangible book (x)	10.0	9.1	7.1	6.7	6.0
EV/EBITDA (x) **	27.8	25.9	14.4	18.0	16.1
EV/EBITDA @ target price (x) **	33.0	30.5	17.1	21.5	19.2
EV/invested capital (x)	5.4	4.6	4.7	4.7	4.8

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: Bangkok Chain Hospital; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PAP	PCSGH	PDJ	PG	PHOL	PLANB
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

## Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAHA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TMB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

**Disclaimer:**

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Chain Hospital	BCH TB	THB 23.30	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following a limited SSO budget.
Bangkok Dusit Medical Services	BDMS TB	THB 23.30	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Bumrungrad Hospital	BH TB	THB 124.50	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher medical fee discount promotions, leading to a weaker EBITDA margin.
Chularat Hospital	CHG TB	THB 4.02	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Praram 9 Hospital	PR9 TB	THB 10.90	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected expenses from its new building.
Thonburi Healthcare Group	THG TB	THB 29.50	HOLD	Downside risks to our DCF-based target price include 1) weak patient volume following the economic slowdown; 2) regulatory risks from drug prices and medical bill controls; and 3) higher-than-expected expenses from new hospitals. Upside risk is big-lot sales of Jin Wellbeing County units.
Vibhavadi Medical Center	VIBHA TB	THB 2.42	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 13-Jul-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.